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BC FORM 51-901F
SCHEDULE A

NEXTRON CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 and 2002

INDEX

BUCHANAN BARRY LLP
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Nextron Corporation

We have audited the consolidated balance sheets of Nextron Corporation as at December 31, 2003 and 2002 and the consolidated statements of income and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Signed"
BUCHANAN BARRY LLP
CHARTERED ACCOUNTANTS

Calgary, Alberta
February 4, 2004

NEXTRON CORPORATION

CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2003 and 2002

ASSETS

	2003	2002
Current		
Accounts receivable	$ 513,367	$ 381,401
Inventory (Note 3)	305,611	351,987
Prepaid expenses	35,152	20,996
	854,130	754,384
Capital Assets (Note 4)	98,985	91,035
Deferred Development Costs (Note 5)	277,257	172,340
Other Long-term Assets (Note 6)	18,734	-
	$ 1,249,106	$ 1,017,759

LIABILITIES

	2003	2002
Current		
Bank indebtedness (Note 7)	$ 202,416	$ 36,281
Accounts payable and accrued liabilities	316,603	384,527
	519,019	420,808
Long-term Debt (Note 8 and 13)	890,520	890,520
	1,409,539	1,311,328

CAPITAL DEFICIENCY

	2003	2002
Share Capital (Note 9)	2,395,382	2,440,072
Contributed Surplus (Note 9)	28,620	-
Deficit	(2,584,435)	(2,733,641)
	(160,433)	(293,569)
	$ 1,249,106	$ 1,017,759

APPROVED ON BEHALF OF THE BOARD:

"Signed by" Director
Duane A. Schmeeckle

"Signed by" Director
David Hill

Buchanan Barry LLP

NEXTRON CORPORATION

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2003 and 2002

	2003	2002
Revenue	$ 2,036,325	$ 2,054,071
Cost of Sales	1,107,686	1,197,629
Gross Profit	928,639	856,442
Expenses		
Amortization of capital assets	20,128	19,865
Amortization of deferred development costs	54,102	76,450
Bank charges and interest	8,780	12,611
Interest on long-term debt	44,525	43,156
Marketing, selling, general and administration	651,898	580,546
	779,433	732,628
Net Income	149,206	123,814
Deficit, beginning of year	(2,733,641)	(2,857,455)
Deficit, end of year	$ (2,584,435)	$ (2,733,641)
Basic and Diluted Income Per Share (Note 12)	$ 0.012	$ 0.010

NEXTRON CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 and 2002

	2003	2002
Cash Flows from Operating Activities		
Net income	$ 149,206	$ 123,814
Amortization	74,230	96,315
	223,436	220,129
Change in non-cash working capital items		
Accounts receivable	(131,966)	(10,215)
Inventory	46,376	66,670
Prepaid expenses	(14,156)	(5,784)
Accounts payable and accrued liabilities	(67,943)	139,621
	(167,689)	190,292
	55,747	410,421
Cash Flows from Investing Activities		
Acquisition of capital assets	(26,357)	(12,003)
Expenditures for deferred development costs	(159,019)	(160,804)
Expenditures for other assets	(20,436)	-
	(205,812)	(172,807)
Cash Flows from Financing Activities		
Long-term debt issued	-	30,000
Long-term debt repayments	-	(120,000)
Purchase of share capital	(16,070)	-
	(16,070)	(90,000)
Net Change in Cash	(166,135)	147,614
Bank Indebtedness, beginning of year	(36,281)	(183,895)
Bank Indebtedness, end of year (Note 7)	$ (202,416)	$ (36,281)

NEXTRON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. Significant Accounting Policies

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Consolidated Entities

These consolidated financial statements contain the financial information of Nextron Corporation and its 80% owned subsidiary Heat Trace Canada Limited.

Going Concern Consideration

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presumes that the Company will continue in operation in the future and be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred significant losses since its startup. Costs relating to development incurred in previous years have been deferred to be recovered from future revenues. The Company's ability to continue as a going concern and recover these costs is dependent upon achieving profitable operations and the continued support of its lenders or its ability to raise additional equity financing. The outcome of these matters can not be predicted at this time. These consolidated financial statements do not include any adjustments to the recovery and classification of recorded amounts that might be necessary should the company be unable to continue as a going concern.

Inventory

Inventory is valued at the lower of cost or net realizable value, cost being determined on an average cost basis.

Capital Assets

Capital assets are recorded at cost. Furniture and equipment are amortized using the declining-balance method at an annual rate of 20%. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Callable Debt

The Company's demand loans are classified as current liabilities because the lender has the unilateral right to demand repayment within one year.

Development Costs

The Company defers development expenditures relating to the creation of new products. Amortization of these costs commence upon commercial production, with the related expenditures amortized over a period of three years. If the product is cancelled or judged to be not commercially viable all deferred development costs related to the product are expensed in the year of determination. Research costs of a general nature are expensed during the year.

NEXTRON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. Significant Accounting Policies (cont'd)

Other Long-term Assets

The Company incurred quality improvement costs to obtain and enhance its ISO 9001 series quality certification. The quality program costs are amortized over the 4 year certification term.

Revenue Recognition

The Company recognizes revenue when goods are shipped.

Income Taxes

The Company follows the liability method of income tax allocation. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

Stock-based Compensation

The Company has a stock-based compensation plan, which is described in Note 9. Compensation expense is recognized over the vesting period when stock options are granted to employees under this plan. Any consideration paid by employees on the exercise of stock options is credited to share capital. The fair value of stock options granted is determined using the Black-Scholes option-pricing model.

Foreign Currency Translation

Transactions and balances denominated in foreign currencies are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary items and revenues and expenses are translated at the rates in effect at the date of the transaction. Exchange gains and losses are recorded in income for the year.

2. Change in Accounting Policies

The Company has adopted the Canadian Institute of Chartered Accountants' recommendations in the revised Handbook Section 3870 "Stock-based Compensation and other Stock-based Payments". The new provisions require compensation expense from stock option grants on or after January 1, 2003 to be recognized in the income statement. In prior years the Company only disclosed the pro forma effect on net income and earnings per share of granting these options to employees, based on the fair value method of accounting for stock-based compensation. There has been no impact on the comparative numbers or opening retained earnings due to this change in accounting policy.

NEXTRON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

3. Inventory

	2003	2002
Inventory is composed of the following:		
Raw materials	$ 121,657	$ 166,409
Work in process	132,609	61,039
Semi-finished goods	39,491	102,454
Finished goods	11,854	22,085
	$ 305,611	$ 351,987

4. Capital Assets

	2003		2002	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	$ 249,718	$ 155,534	$ 224,275	$ 138,154
Leasehold improvements	8,471	3,670	7,538	2,624
	$ 258,189	$ 159,204	$ 231,813	$ 140,778
Net Book Value	$ 98,985		$ 91,035	

5. Deferred Development Costs

	2003	2002
Balance, beginning of year	$ 172,340	$ 87,986
Costs deferred during the year	159,019	160,804
Amortization	(54,102)	(76,450)
Balance, end of year	$ 277,257	$ 172,340

6. Other Long-term Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
ISO 9001 Quality Program	$ 20,437	$ 1,703	$ 18,734	$ -

NEXTRON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

7. Bank Indebtedness

	2003	2002
Operating loan	$ -	$ 10,000
Demand loan	185,000	30,000
Bank balance less outstanding cheques	17,416	(3,719)
	$ 202,416	$ 36,281

The demand loan bears interest at the bank's prime lending rate plus 1.25%, with minimum revolvement amounts of $5,000 and is secured by a general security agreement, a business loan insurance plan and personal guarantees of the directors of the Company. The maximum loan under this facility is $250,000.

8. Long-term Debt

	2003	2002
Notes payable bearing interest at 5% per annum due March 31, 2005. The notes are unsecured and have no stated repayment terms.	$ 890,520	$ 890,520

9. Share Capital

Authorized
Unlimited number of
Common voting shares
Preferred shares issuable in one or more series

Issued and outstanding

	2003		2002	
	Number of Shares	Amount	Number of Shares	Amount
Common Shares				
Balance, beginning of year	12,339,455	$ 2,440,072	12,339,455	$ 2,440,072
Shares purchased and returned to treasury	(226,000)	(44,690)	-	-
Balance, end of year	12,113,455	$ 2,395,382	12,339,455	$ 2,440,072

NEXTRON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

9. Share Capital (cont'd)

Normal Course Issuer Bid ("NCIB")

On December 10, 2003 the Company commenced the NCIB under the rules and policies of the TSX Venture Exchange whereby the Company may purchase up to 616,972 of its common shares at the current market price in the period commencing on December 10, 2003 and ending on December 9, 2004. For the year ended December 31, 2003, the Company purchased 226,000 of its common shares for $16,070 under this program. This has resulted in a $28,620 change to contributed surplus, being the difference between the purchase price and the average issue price of the shares.

Stock Options

The Company has established a stock option plan for the benefit of the directors, officers and employees of the Company. Options may be granted to purchase, in the aggregate, up to 10% of the common shares of the Company at any time at a price not less than the minimum permitted by the TSX Venture Exchange. All options vest upon issuance.

At December 31, 2003, options to purchase 845,000 common shares at prices ranging from $0.10 to $0.12 per share were outstanding. These options expire at various dates between December 20, 2004 and December 20, 2006. The following is a continuity of stock options outstanding:

	2003		2002	
	2003	Weighted-average exercise price	2002	Weighted-average exercise price
Outstanding, beginning of year	985,000	$ 0.13	985,000	$ 0.13
Expired	(140,000)	0.24	-	-
Outstanding and exercisable, end of year	845,000	$ 0.11	985,000	$ 0.13

The following table sets forth information relating to stock options outstanding as at December 31, 2003:

Range of Exercise prices	Number Outstanding at December 31, 2003	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable at December 31, 2003	Weighted-average exercise price
$0.10	545,000	2.41	$ 0.10	545,000	$ 0.10
$0.12	300,000	0.97	0.12	300,000	0.12
	845,000	1.91	$ 0.11	845,000	$ 0.11

There were no stock options granted in 2002 or 2003.

NEXTRON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

10. Financial Instruments

The Company's financial instruments included in the balance sheet are comprised of accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and long-term debt.

a) Fair values
The fair values of the Company's financial instruments do not differ significantly from their carrying values.

b) Credit risk
The Company's accounts receivable are due from a diverse group of customers and as such are subject to normal credit risks.

c) Interest rate risk
The Company is also exposed to interest rate cash flow risk to the extent that the bank loans are at floating rates of interest.

11. Income Taxes

Income taxes reported differ from the amount determined by applying the statutory federal and provincial income tax rates to income before income taxes. The reason for these differences and their effect are as follows:

	2003	2002
Statutory tax rate	37%	39%
Income taxes (recovery) at the statutory rate	$ 55,206	$ 48,585
Unrecognized benefit of losses carried forward and timing differences	(55,206)	(48,585)
	$ -	$ -

The Company has non-capital loss carryforwards of approximately $933,193 (2002 - $1,512,000) expiring between 2004 and 2008. The ability of the Company to utilize the losses and other tax balances carried forward in the future is not more likely than not to be realized and therefore has not been recognized in the financial statements. The Company is currently involved in a dispute with the Canada Revenue Agency over approximately $565,000 in non-capital losses available for carryforward. The adjustment is reflected in the carry forward balance shown above.

NEXTRON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

11. Income Taxes (cont'd)

The Company has research and development expenditures of approximately $511,000 (2002 - $412,000) available for carryforward indefinitely. The pool of deductible scientific research and experimental development expenditures was reduced by approximately $54,000 based on the results of the Canada Revenue Agency's review of 2000 and 2001 expenditures. This adjustment is reflected in the comparative balance shown above.

The Company has approximately $119,000 (2002 - $119,000) in non-refundable investment tax credits arising from qualified research and development expenditures which expire between 2007 and 2009. The pool of non-refundable investment tax credits was reduced by approximately $15,000 based on the results of the Canada Revenue Agency's review of 2000 and 2001 expenditures. This adjustment is reflected in the comparative balance shown above.

12. Income Per Share

Income per share has been calculated on the basis of the weighted average number of common shares outstanding for the year which amounts to 12,113,455 shares (2002 - 12,339,455). As stock options outstanding at December 31, 2003 and 2002 were not in the money, no additional shares are included in the diluted income per share.

13. Related Party Transactions

Included in notes payable is $204,270 (2002 - $204,270) due to a company controlled by the chairman and $587,500 (2002 - $587,500) due to the chairman. The notes are unsecured and due March 31, 2005. Interest of $39,588 (2002 - $38,232) was paid on these notes.

Included in notes payable is $42,500 (2002 - $42,500) due to directors. The notes are unsecured and due March 31, 2005. Interest of $2,125 (2002 - $2,119) was paid on these notes.

Included in notes payable is $56,250 (2002 - $56,250) due to companies controlled by directors. The notes are unsecured and due March 31, 2005. Interest of $2,812 (2002 - $2,805) was paid on these notes.

14. Commitments

The Company has entered into lease agreements for equipment and rent. The estimated minimum lease payments are as follows:

2004	$ 94,900
2005	75,200
2006	6,000
	$ 176,100

15. Subsequent Events

On February 12, 2004 the Company granted 120,000 stock options at an exercise price of $0.10 per share to the President of the Company. The options will expire on February 10, 2009.

Nextron Corporation
December 31, 2003

BC FORM 51-901F
Schedule B: Supplementary Information

1. Analysis of Expenses-

Cost of Sales		
Materials		$ 939,661
Labour		96,939
Overhead		71,086
		$ 1,107,686
Marketing, Selling, General and Administration:		
Engineering expense		$ 52,832
Unrecovered manufacturing overhead		116,533
Sales and marketing-		
Salaries, commissions, royalties, etc.	$ 54,864	
Advertising and promotion	18,570	
Other	22,094	95,528
General and Administrative-		
Salaries and benefits	$ 225,106	
Professional fees	72,240	
Other	89,659	387,005
		$ 651,898

2. Related Party Transactions-

Notes Payable to shareholders: These are payable to Directors and to companies controlled by Directors and represent the amount of cash advances made to the Company.

The Notes bear interest at 5%, are unsecured, due March 31, 2005, and may be repaid earlier without penalty at the option of the company.

3. Summary of Securities Issued and Options Granted-

a) No securities have been issued in the period.

b) No options were granted in the period.

4. Summary of Securities and Options as at the End of the Reporting Period-

1. Common Shares:

	Number of Shares Issued	Amount
Balance at December 31, 2002	12,339,445	$2,440,072
Shares purchased and returned to Treasury	(226,000)	(44,690)
Balance December 31, 2003	12,113,455	$2,395,382

2. Share Options:

Balance at December 31, 2003	845,000

Nextron Corporation
December 31, 2003

5. Directors and Officers as at date this Report is signed -

Duane A. Schmeeckle	Chairman of the Board of Directors
Len Edwards	President
David Hill	Secretary, CFO and Director
A. Bernard Coady	Director
Donald D. Barkwell	Director
Terrance F. Hawitt	Director

Nextron Corporation
December 31, 2003

BC Form 91-901F
Schedule C – Management Discussion and Analysis

Management Discussion and Analysis

The following information should be read in conjunction with the Company's audited annual consolidated financial statements and the accompanying notes (Financial Statement and Notes) for the twelve months ended December 31, 2003.

The MD&A has been prepared with reference to the Financial Statements and Notes, which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Special Note Regarding Forward-Looking Information

Certain statements in the MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. These can include, without limitation, statements based on current expectations involving a number of risks and uncertainties relating to all aspects of the Company's business and the global economy. These risks and uncertainties include, but are not restricted to, continued increased demand for the Company's products, the Company's ability to maintain its technological leadership in its field of temperature control and monitoring devices for electrical heat trace applications, the Company's ability to attract and retain key employees and potential changes in currency exchange rates. The words "expect", "anticipate", "estimate", "may", "will", "should", "intend", and "believe" are intended to identify these forward-looking statements. Forward-looking statements are based on the estimates and opinions of Management on the dates they are made and are expressly qualified in their entirety by this notice. The Company assumes no obligation to update forward-looking statements should circumstances or Management's opinions change.

Overview of the Company

Nextron Corporation is a technology company whose core business is the design, production and marketing of industrial electronic products with strategic planning initiatives that focus entirely on temperature control applications. The temperature control products are used in various industries and applications for single to multiple circuit monitoring and control of electrical heat tracing systems. Applications can be categorized as basic in system design to more sophisticated design approaches that incorporate Nextron's custom software application and communications protocol.

All temperature control products manufactured by Nextron are tested and certified to the stringent standards established by certifying agencies and carry Canadian Standard Association (CSA) and Factory Mutual (FM) approvals. In addition, Nextron carries registration with QMI for International Standard Organization requirements for ISO-9001 and maintains an infrastructure to support this quality managed system.

Products are distributed through several channels, stocking distributors, original equipment manufacturers (OEM), and service companies. The markets served are primarily in North America with some end users in countries outside North America.

The Company is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol NXT.

2003 Business Highlights

Nextron Corporation
December 31, 2003

Significant events and actions taken in 2003 include:

- Development of the TraceMate II-CTR two-circuit controller
- Contractual agreement between Nextron Corporation and Heat Trace Limited- UK to establish Heat Trace Canada Ltd.
- On December 10, 2003, Nextron Corporation announced that it filed with the TSX Venture Exchange Inc. a Form 5G, Notice of Intention to Make a Normal Course Issuer Bid to purchase up to a maximum of 616,972 Common Shares (5% of the outstanding Common Shares) over the next twelve months to be purchased on the open market. The Corporation believes that the market did not properly reflect the underlying value of the Common Shares and the purchase of the Common Shares is a worthwhile investment and in the best interests of the Corporation and its shareholders.

Operations

Nextron Corporation's 2003 was a challenging year. A general slowdown within the industries Nextron serves, specifically in the United States, beginning in the fourth quarter of 2002, continued throughout 2003. The year was noted not so much for reductions in capital and maintenance expenditures but rather the reluctance to release capital and maintenance funding in light of the economic uncertainties. Exports to the United States, historically accounting for eighty percent of Nextron's sales revenues, were down sixteen percent.

The Canadian market improved considerably over previous years as the effort in the development of Nextron Corporation's distribution network the previous two-years continued to increase sales revenues. In 2003, sales revenue in Canada was up twenty percent.

Although consolidated sales revenues remained similar to the previous year, the Company realized significant improvement in profitability as the Company continued to focus on operational control and management.

The distinctive competence of Nextron Corporation is in a highly capable team who focuses on delivering innovative quality products cost effectively. Understanding the customer's needs, developing products to meet them and responding quickly are critical to achieving planned goals. Nextron's commitment to advancement in technology resulted in the completion of a new two-circuit controller, TraceMate II-CTR, which will be ready for production and sales in the first quarter of 2004. The controller design is based on the very successful platform of the TraceMate and from early indications, the unit is expected to be widely accepted in the market. Our vision for the future growth of the company is to continue to identify customer needs and develop new high-technology products with high market potential and good profit margins.

Growth of the Company, outside of Nextron manufactured products, has been a prime objective and resulted in the formulation of Heat Trace Canada Limited (HTCL) under a strategic partnership agreement completed in October 2003 between Heat Trace Limited-UK (HTL-UK) and Nextron Corporation.

HTL-UK is a manufacturer of electrical heat trace products and compliments the products of Nextron Corporation's core business interests. From this partnership, HTCL will have the ability to promote complete material solutions for electrical heat trace design in Canada, a market estimated at approximately 30 million Canadian dollars.

Nextron Corporation
December 31, 2003

Heat Trace Canada Ltd.'s core business is the supply of products for use in electrical heat tracing design for the Canadian marketplace. Products include a complete range of electrical heat trace cables, installation accessories and temperature control and monitoring devices for use in various industries and applications. Heat Trace Ltd.-UK will provide heat trace cable and accessories, with all temperature control products manufactured by Nextron Corporation.

Discussion of Operations & Financial Condition
Consolidated revenues for the year ending December 31, 2003 were $2,036,325 compared to $2,054,071 for the year ended December 31, 2002.

Historical markets such as co-generation, petrochemical/ chemical and refining continued to provide the sales revenue for the year but we were also successful in reaching other markets that are part of our long-term strategic objectives.

Co-generation:

- In 2003, Nextron projected revenue for co-generation to be 11% of the overall business with potential to reach 19-20% with major projects. Actual for the year was 25% ($509,018) resulting from a large-scale project in the United States.

PetroChemical/Chemicals:

- Nextron generated 20% ($407,265) of the sales revenue for 2003 from the petrochemical/ chemical industries, 9% better than projected. Although it was expected that petrochemicals would improve in 2003, a combination of high feedstock costs, US market slowdown, excess capacity and a continued threat of terrorism prevented petrochemical producers from realizing any improvements.

Refining:

- Sales revenue in 2003 for the refining sector accounted for 42% ($855,256)

- Environmental legislation designed to meet the criteria for low sulphur diesel fuel and low sulphur gasoline continues to drive this market for the next year. Modest product demand and competition from other fuels challenges operators to maintain their position. Consequently operators are restructuring, consolidating and implementing new strategies for operating.

Other industries:

- In 2003, 12% ($264,723) of total sales revenue came from industries outside historical markets and included controls for parkade heating, food storage and refrigeration units as examples.

Administrative

Consolidated expenses for the year ended December 31, 2003 were $779,433, compared to $732,628 for the year ended December 31, 2002. This increase, 6.39%, in overall expenses is related to increases in professional fees associated primarily with the establishing of Heat Trace Canada Ltd., expenses relating to the investment of fixed assets for HTCL and increased insurance premiums for the companies.

Nextron Corporation
December 31, 2003

Our efforts in improving profitability by effective cost management and inventory control resulted in a improved profit as a percentage of sales revenue and a further reduction in the inventory for the comparable period a year earlier. Inventory for the year ended December 31, 2003 was $305,611 compared to $351,987 for the same period ended 2002, a reduction of 13.18%.

The continuing progress in reducing costs and increasing productivity created the improvements recognized in operations and manufacturing in 2003. Our objective for 2004 is to continue to improve on our program for cost reduction.

Research and Development
TraceMate II-CTR product development, based on the design platform of our highly successful product TraceMate, was completed and in December 2003 certification from the Canadian Standards Association (CSA) was awarded to Nextron allowing for the necessary certifications for sales into North America. In addition to CSA certification, the product is under pending certification for Factory Mutual (FM) for the United States.

Market expansion is a primary objective for Nextron Corporation and the engineering department is preparing the TraceMate II-CTR for submission to the necessary testing required for product approvals for sales into the European Union (EU). The EU equivalency to CSA and FM in North America is the CE Mark. CE Marking is also called "CE Mark" and is mandatory for many (70%) of the products sold on the European Union (EU) market and it is often referred as the "Trade Passport to Europe" for non-EU products.

With the completion of the TraceMate II-CTR product, R&D is concentrating on a number of projects that will further enhance existing products and new product designs incorporating many new features and benefits that will provide customers with an advanced control strategy for temperature and control monitoring applications for critical applications.

Net Income
Consolidated net income for the year ended December 31, 2003 was $149,206 compared to $123,814 for the year ended December 31, 2001, a 20.5% improvement. The Company's improved profitability resulted from:

- Effective cost control
- Sales of cost effective multi-point control systems
- Further market penetration of the single point market using the TraceMate ™

(Statements attached in Schedule A)